



Michigan Tourism Strategic Plan

"a plan for the industry, by the industry"

Research & Market Segmentation

IWT Report to the Council
November 3, 2006

SECTION 1 - OVERVIEW:

This Issue Work Team met in person a total of five times between July 27 and October 17, 2006 at locations in Frankenmuth, Thompsonville, and East Lansing. Meeting hosts included: Bavarian Inn Restaurant and Lodge, Crystal Mountain Resort, and Michigan State University.

Team Co-chairs:

John Thornquist – *The Grand Rapids Press*
Judy Zehnder Keller – Bavarian Inn Restaurant and Lodge

Other Team Members:

Dwight Butt – Battle Creek/Calhoun County VCB
Allen Crater – Stevens Advertising
Carol Davidson – Benzie County Area CVB
Jim Fry – Meredith Corporation/*Midwest Living*
Bill Manson – Michigan Snowmobile Association
Jacci Woods – MotorCity Casino

Other Contributors:

Jim Engel – Bavarian Inn Restaurant and Lodge
Annette Rummel – Saginaw County CVB
Rick Schmitt – Crystal Mountain Resort
Bobbie Sommer – Bavarian Inn Restaurant and Lodge
Kristin Williams – MotorCity Casino
Michael Zehnder – Bavarian Inn Restaurant and Lodge

Planning Team Reps:

Lori Langone – Michigan State University
Dave Morris – Travel Michigan/MEDC

We had extensive discussions about the types of research data required for critical tourism industry decision-making; reviewed an exhaustive collection of existing research reports; talked in length about the need for a central data clearinghouse and repository; and discussed a variety of methods that could be utilized to disseminate travel-related data and information in an expeditious, concise, and user-friendly manner.

We developed an issue statement to describe the focal areas of our recommendations to the Planning Council. It follows on the next page.

Issue Statement

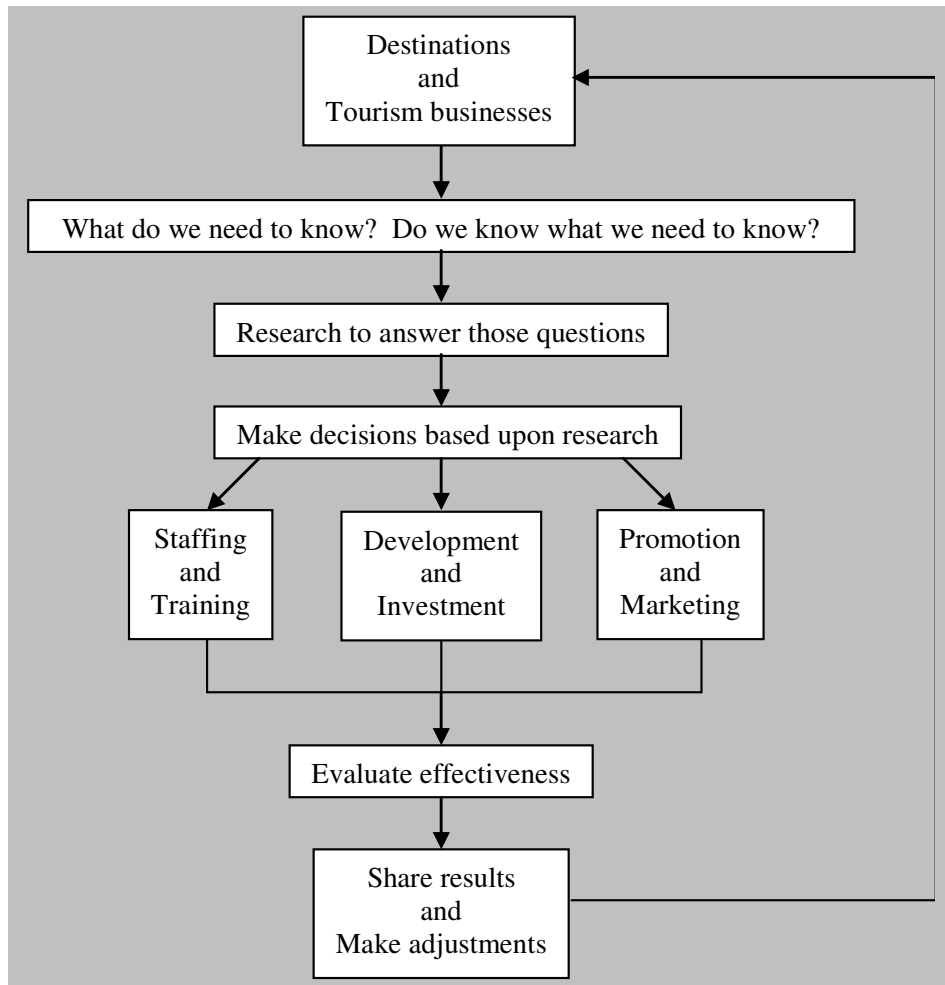
A foundation in quality research and focused market segmentation should be a hallmark of Michigan tourism industry development. To insure this foundation is established, the development of the following categories will be necessary: 1) Identification of **existing research and resources**; 2) Identification of the types of **data critical for tourism industry decision-making**, including statistical information, market segmentation data, and evaluation of the state's tourism marketing program; 3) Establishment of a **data clearinghouse**, including recommendations about staffing, location, and funding; and 4) Development of a **communication strategy** for disseminating resources, including recommendations about staffing and funding.

We decided early on that we wanted our recommendations to be reflective of sound reasoning and to include a suggested plan for implementation, thereby increasing the possibility of greater support and ultimately improving the probability of achieving funding consideration. At our second meeting, the team decided that in order to keep our efforts moving forward, a quorum would not be required to make decisions. In the course of our work we heard the following statements and questions, among others:

- “Research should be an accountable procedure.”
- “Research should be scientifically founded, and we need to think about whom to entrust with collecting and reporting data.”
- “Maybe it’s time for a fresh look at what we need and a fresh start.”
- “Travel Michigan’s research mostly focuses on analyzing Michigan.org. Travel Michigan does not do research to support Michigan’s tourism industry.”
- “Tailoring our marketing around demographics and PRIZM segmentation data is not working for us.”
- “The way things are oriented right now is a disservice to the industry.”
- “I am interested in calculating economic impact without spending a fortune.”
- “MSU’s tourism center is dissolving due to retirements, lack of funding, etc.; they’re where I go when I need research data.”
- “I’ve come to the conclusion that competing with nearby cities is no longer going to work for us; instead we’ve been working together this past year.”
- “Research is only good if you use it.”
- “Knowing how to use data is what’s important; getting more money is what’s important... for businesses, for promotion, and for research.”
- “Motivational research is important; what do vacationers want?”
- “How do we know if research is accurate and applicable? Where should we look for data?”
- “Which demographic segments (of travelers) prefer which regions of the state?”
- “We have a need for ongoing research.”
- “What are the impacts of tourism jobs?”
- “The data should all go into a database or information system that is accessible.”

- “Travel Michigan is the only state agency representing tourism. Who is looking out for my livelihood?”

The team concluded that the following diagram is a good representation of how research data are applied to critical decisions made by the tourism industry.



At a subsequent meeting we focused on identifying: 1) who would use a Michigan tourism research database, 2) how could that database be made accessible, 3) what would it contain, 4) what could users expect, and 5) how much might it cost. It was agreed that the database should contain both quantitative and qualitative data. Best practices and reports should also be contained in the database. It should be possible for users to extract meaning out of the database to help them actually make actionable decisions, and the system should be developed so that users do not need to be computer or database experts in order to extract functional data. Perhaps users should also have access to an expert (or experts) for times when they need assistance extrapolating or interpreting data.

Next, the team viewed a demonstration of how a managed database might be used by tourism businesses and destinations. The following questions about data and research findings were considered: Where should it stored? Who should have access to it? Who pays for it? Who owns it? How do we share licensed databases? How can we share some of our proprietary information? How can research work for all of us around the state? We also discussed issues

related to a clearinghouse; accessibility; interpretation, assistance, and analysis; and primary research.

Next we outlined a database profile to support the Michigan tourism industry's marketing and development needs. It is detailed in Section 3 of this report.

SECTION 2 – CHALLENGES and OPPORTUNITIES

One of the key challenges related to data collection for Michigan tourism has been that, in the past, much of the research conducted by the state has been oriented toward planning and evaluating the effectiveness of marketing programs conducted by Travel Michigan. That research has included the purchase of licensed databases, campaign effectiveness studies, and return-on-investment (ROI) studies. While some of this research has some value to the Michigan tourism industry, that value is limited because of the perspective of the research. Entirely new research and databases related to tourism would need to be created to be of direct benefit to the industry.

Another challenge in the tourism industry is the lack of expertise in conducting and applying research findings to local marketing efforts. Most Michigan DMOs (destination marketing organizations (i.e., CVBs: convention and visitor bureaus, and regional tourist associations)) have little or no expertise in these areas and require additional assistance in interpreting and applying information to their programs. As a result, the simple availability of data is generally not sufficient support for most communities.

SECTION 3 - RECOMMENDATIONS

DMOs and properties making investment decisions in Michigan often lack the marketing information needed to guide those decisions. While research and analysis by the state guides Travel Michigan's strategies and various studies and databases are in common use by specific industry groups, such as lodging, a number of issues prevent similar support from reaching regional or local investors.

The Research and Market Segmentation Issue Work Team recommends a central system of gathering and providing critical information to all levels of the tourism industry involved in investment and marketing decisions. We further recommend that Travel Michigan should have a primary leadership role in creating a system of research to support the Michigan tourism industry, as it is the only organization with an overall involvement in all aspects of the industry. However, this does not prevent Travel Michigan from calling together a central research group of the appropriate organizations and individuals to assist in creating such a system. Nor does it prevent Travel Michigan from contracting with the appropriate entity to deliver this service.

In addition to Travel Michigan, additional candidates to form this central group include Michigan State University (MSU), and the Travel, Tourism and Recreation Resource Center (TTRRC) in the Department of Community, Agriculture, Recreation and Resource Studies (CARRS) at MSU, with outside industry advisors. Once assigned, this group hereafter referred to as the Travel Database Group will:

1. Develop a hosted database that will democratize the information by making it accessible to any authorized party with an Internet connection.
2. Overcome prohibitions against sharing data below the state level by either reworking license agreements or conducting new research.
3. Establish a support system through DMOs to local properties that will provide the data expertise and analytical ability needed to address specific issues.
4. Establish credible benchmark studies of the economic impact of tourism and its affiliate industries.

5. Take a leading advisory role in the creation and execution of advertising and marketing strategies.

Following are the components of a database profile that we recommend to support marketing and development decision-making by Michigan's tourism industry.

I. Economic impact data

- A. Total sales
- B. Tax collections
- C. Direct employment
- D. Direct employee earnings
- E. Real estate and supplies investments
- F. In-state advertising investments
- G. Multiplier effects on community and state

II. Best Prospect Identification

A. Segmentation models

1. Traveler profiles, including:

- a. Date when trip started by day, month and year
- b. Day trip started and day trip ended
- c. Length of trip and length of stay
- d. Destination
 - 1) By state
 - 2) By MSA (Metropolitan Statistical Area) census region code
 - 3) By designated market area (DMA)
 - 4) By county in Michigan
 - 5) By country
- e. Distance traveled
- f. Accommodations types used
- g. Activity profiles
- h. Trip purpose profiles
- i. Modes of transportation used
- j. Party composition
 - 1) By trip
 - 2) By travel party size
 - 3) By travel party make-up
 - 4) By household
- k. Demographics of household
 - 1) Household make-up
 - 2) Age profiles
 - 3) Occupation profiles
 - 4) Income
 - 5) Lifestyle and life stage profiles
 - 6) Race/ethnicity
 - 7) Educational levels

- I. Household location
 - 1) Origin DMA
 - 2) Origin MSA
 - 3) Origin state
 - 4) Canadian origin travelers
 - 5) Origin country
- m. Past travel behavior
- n. Volume data
 - 1) Person trips
 - 2) Person nights
 - 3) Day trips
- B. Expenditure models
 - 2. Traveler profiles, including:
 - a. Spending profile detail
- C. Audience estimates
- D. Economic projections
- E. Campaign tracking
- III. Media and Marketing Metrics
 - A. Promotional opportunities
 - B. Anticipated response rates
 - C. Return on investment (ROI) model
 - D. Campaign summary
- IV. Secondary Data Sets
 - A. Studies and reports conducted by other tourism businesses and organizations
 - B. Databases from governmental sources
 - C. Purchased data sets from private suppliers

Recommended guidelines for the database include:

- The software tool associated with the database should allow for the construction of specific queries into the database. The tool should allow for ad hoc inquiries or for complex reports. Skills needed to make inquiries should be minimal, requiring only the knowledge of standard tools normally used for databases (i.e., Excel, Access, etc.)
- Sample sizes should be sufficient to conduct analysis at the county level.
- Sample sizes should be sufficient to conduct trending analysis for major variables.
- Data should be current—no more than 12 months from the time of the actual travel.
- The only costs of the database itself should be associated with actual acquisition of the database.
- There should be no licensing issues in applying findings to the Michigan tourism industry.

- A team of research experts who can quickly respond to industry inquiries should be available to assist industry stakeholders with analysis and data delivery.
- A team of experts should produce regular, periodic reports focused on industry performance and based on data in the database.
- The experts should have the ability to make interpretations of the meaning of the data and to make recommendations for actions based on the findings.
- More work will need to be done to best identify how to communicate to industry stakeholders that this database exists, including instructions for accessing and using it.

The table below includes budget estimates for implementing the recommended database and supporting research objectives.

Year 1	Total Budget: \$900,000
a. Creation/purchase of a traveler profile database.	\$300,000
b. Access to secondary data, memberships, etc.	\$100,000
c. Research center-related staffing and administration.	\$500,000
Ongoing (Subsequent to Year 1)	Total Budget: \$800,000
a. Ongoing maintenance of travel profile database.	\$200,000
b. Access to secondary data, memberships, etc.	\$100,000
c. Research center-related staffing and administration	\$500,000

SECTION 4 – THE PROCESS

At this time, our team has no recommendations for future planning initiatives.